

CITY OF HARRISVILLE

Financial Statements - June 30, 2006

(With Auditors' Report Thereon)

CITY OF HARRISVILLE

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Independent Auditors' Report

Honorable Mayor and City Council
City of Harrisville, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harrisville, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 21, 2006 on our consideration of the City of Harrisville's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The impact fee information on pages 33 through 40 is presented for purposes of additional analysis and is not a required part of the City's basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Crane, Christensen + Ambrose P.C.

September 21, 2006

Harrisville City, Utah

Management's Discussion and Analysis

for fiscal year ending June 30, 2006

INTRODUCTION

The following is a discussion and analysis of Harrisville City's financial performance and activities for the fiscal year ending June 30, 2006. Beginning in fiscal year 2004, the City implemented new financial reporting standards established by GASB (the Governmental Accounting Standards Board). These new standards significantly changed the content and structure of the financial statements.

HIGHLIGHTS

Harrisville City built a new bowery at Independence Park, installed some additional fencing, and purchased some additional ground for a future park.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the City's Basic Financial Statements. The Basic Financial Statements includes three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the Basic Financial Statements, this report also contains other supplementary information.

The government-wide financial statements are comprised of: 1) the Statement of Net Assets, and 2) the Statement of Activities. These two statements provide a broad overview of the City's finances. The Statement of Net Assets shows the overall net assets of the City. Over time, increases and decreases in net assets are one indicator of the City's overall financial condition. The Statement of Activities helps to identify functions of the City that are principally supported by taxes and other general revenues (governmental activities) along with other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities).

Harrisville City's business type activities include sewer, garbage and storm water operations.

The fund financial statements provide detailed information about individual major funds and not the City as a whole. A fund is a group of related accounts that the City uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity. All of the City's funds are divided into two types, each of which uses a different accounting approach. The two types are 1) Governmental Funds and 2) Proprietary Funds.

Governmental Funds – Most of the City's basic services are accounted for in governmental funds and are essentially the same functions reported as governmental activities in the government-wide financial statements.

Proprietary Funds – Harrisville City uses two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Harrisville City has three enterprise funds – sewer, garbage, and storm water. *Internal Service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City maintains one internal service fund to account for its fleet activities. Because these services predominantly benefit government rather than business-type activities, they are included with *governmental activities* in the government-wide statements.

Differences between Government-Wide and Fund Statements

- Capital assets and long-term debt are included on the government-wide statements but are not reported on the governmental fund statements.
- Capital outlays result in capital assets on the government-wide statements but are expenditures on the governmental fund statements.
- Certain tax revenues that are earned but not yet available are reported as revenue on the government-wide statements but are deferred revenue on the governmental fund statements.

Notes to the Financial Statements

The notes found within these financial statements provide additional schedules and information that are essential to a complete understanding of the financial statements. The notes apply to both the government-wide financial statements and the fund financial statements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

The largest component of the City's net assets, 50.4 percent, reflects investments in capital assets (land, buildings, equipment, roads, and other infrastructure) less all outstanding debt that was issued to buy or build those assets. As capital assets, these resources are not available for future spending, nor can they all be readily liquidated to pay off the related liabilities.

Restricted net assets comprise 31.4 percent of total net assets and are subject to external restrictions on how they may be used. The remaining 18.2 percent of net assets is unrestricted and may be used at the City's discretion to meet its ongoing obligations to citizens and creditors.

Harrisville City

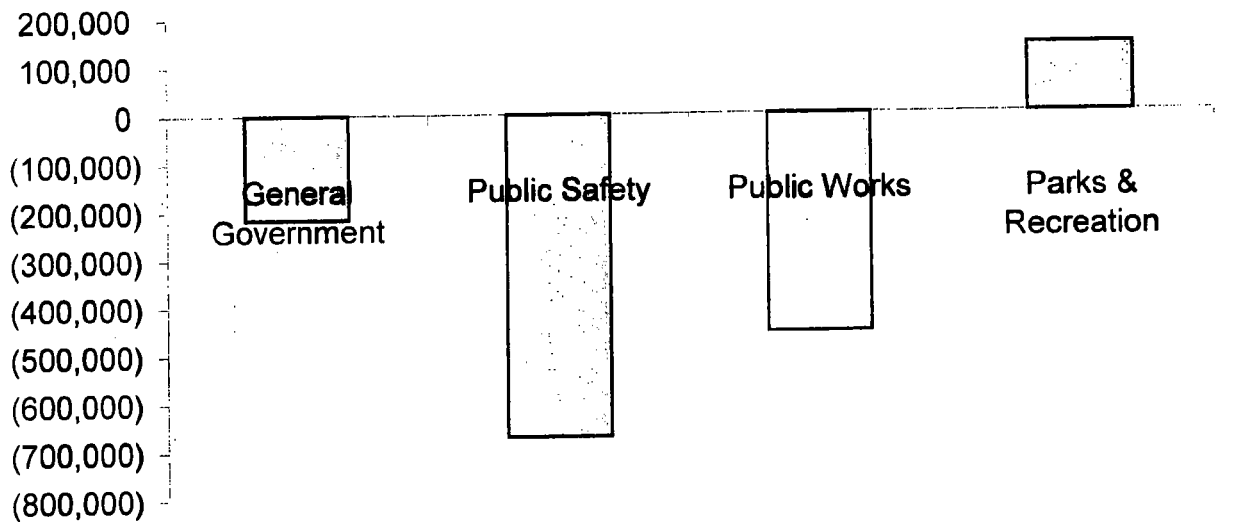
Statement of Net Assets Comparative

	Governmental Activities 2006	Governmental Activities 2005	Business-type Activities 2006	Business-type Activities 2005
Current and Other Assets	2,028,373	1,662,712	987,643	877,402
Capital Assets (Net)	2,159,791	1,999,938	916,172	872,674
Total Assets	4,188,164	3,662,650	1,903,815	1,750,076
Liabilities	21,667	32,378	28,000	58,700
Total Liabilities	21,667	32,378	28,000	58,700
Net Assets				
Invested in Capital Assets, Net of Related Debt	2,159,791	1,986,606	888,172	872,674
Restricted	1,436,251	1,165,689	458,671	437,691
Unrestricted	570,455	477,977	528,972	381,011
Total Net Assets	4,166,497	3,630,272	1,875,815	1,691,376

Governmental Activities

The activities in the governmental funds resulted in an increase in net assets of \$536,225 for the year. The following chart shows the relative net uses (expenses minus any revenue directly attributed to that particular function) for governmental activities for each of the functions shown on the Statement of Activities.

Governmental Activities Net Uses



The table below shows to what extent the City's governmental activities relied on taxes and other general revenue to cover all of their costs. These programs generated revenues of \$701,821 or 36.7 percent of their total expenses through charges for services and grants. Taxes and other general revenues covered the remaining 63.3 percent of expenses.

<i>Activities</i>	<i>Total Program Expenses</i>	<i>Less Program Revenues</i>	<i>Net Program Costs</i>	<i>Program Revenues as a Percentage of Total Expense</i>
General Government	\$487,482	\$270,027	(\$217,455)	55.4%
Public Safety	\$816,499	\$142,187	(\$674,312)	17.4%
Public Works	\$608,862	\$151,147	(\$457,715)	24.8%
Parks & Recreation	(\$2,014)	\$138,460	\$140,474	n/a
<i>Totals</i>	\$1,910,829	\$701,821	(\$1,209,008)	31.0%

Harrisville City

Changes in Net Assets Comparative

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities
	2006	2005	2006	2005
Program Revenues				
Charges for Services	540,276	663,279	494,895	570,202
Operating Grants & Contributions	161,545	144,880		
Capital Grants & Contributions	0	150,000	0	91,000
General Revenues				
Property Taxes	317,755	307,792		
Sales Tax	1,049,566	936,889		
Franchise Tax	289,053	256,151		
Other Revenues	88,859	83,690	39,217	9,110
Total Revenues	2,447,054	2,542,681	534,112	670,312
Expenses				
General Government	487,482	375,542		
Public Safety	816,499	806,477		
Public Works	608,862	471,035		
Parks & Recreation	-2,014	51,874		
Public Utilities			349,673	495,800
Total Expenses	1,910,829	1,704,928	349,673	495,800
Increase in Net Assets before Transfers	536,225	837,753	184,439	174,512
Change in Net Assets	536,225	837,753	184,439	174,512
Net Assets Beginning	3,630,272	2,792,519	1,691,376	1,516,864
Net Assets Ending	4,166,497	3,630,272	1,875,815	1,691,376

Business-Type Activities

The business-type activities (sewer, storm-water, and garbage) are generating sufficient revenue to cover operating costs.

CAPITAL ASSETS AND LONG-TERM DEBT**Capital Assets**

Harrisville City added \$94,406 in new capital assets in governmental activities during the fiscal year. The City sold/wrote off \$21,330 in assets during the fiscal year. Harrisville City added \$65,970 in new capital assets in business-type activities during the fiscal year all of it being in Storm Water. The City also added \$190,439 in capital assets in the Motor Pool Fund. The City did not sell or dispose of any capital assets in the Storm Water or Sewer Funds. The City did sell or dispose of assets having a book value of \$17,029 in the Motor Pool Fund.

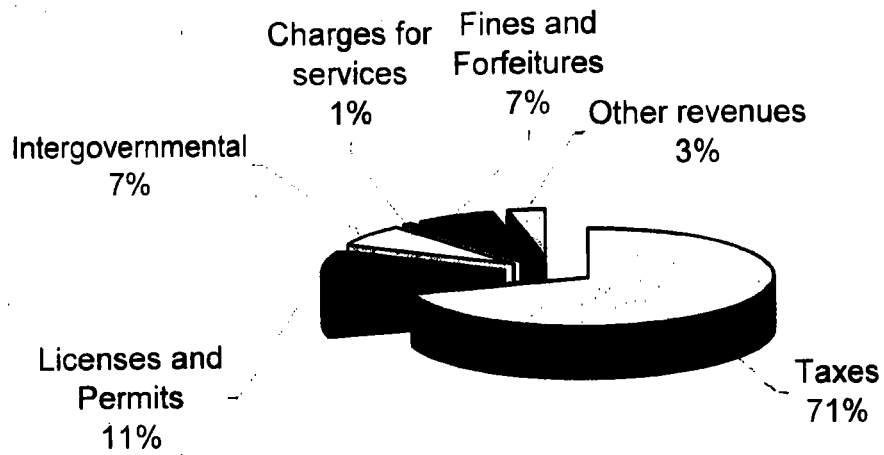
FINANCIAL ANALYSIS OF THE CITY'S FUNDS**Fund Balances**

At June 30, 2006, Harrisville City's governmental funds reported combined fund balances of \$1,851,251. Of this amount, \$1,056,565 or 57.1% is reserved for specific purposes and projects. The remaining \$794,686 or 42.9% is unreserved. Of this amount, \$415,000 is in the "rainy day" fund, and \$379,686 is in the Capital Projects Fund.

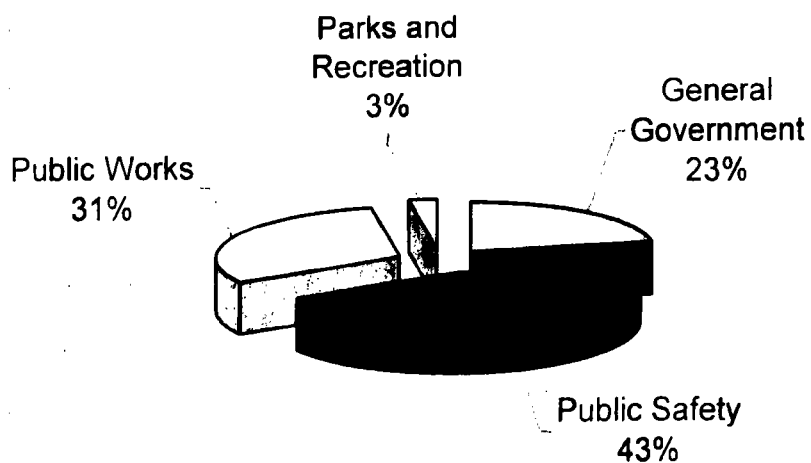
General Fund

During 2006, the fund balance in the general fund increased by \$156,818. Reserved funds increased by a total of \$106,818, with an increase in the unreserved funds of \$50,000. Taxes increased \$155,542, a 10.4% increase from the previous year, with most of the increase being sales tax of \$112,677. Total general fund revenue was up \$42,423 or 1.8%. Total general fund expenditures (excluding transfers and financing sources) were down \$37,647 or 2.0%.

General Fund Revenue Sources



General Fund Expenditures



General Fund Budgetary Highlights

Harrisville City prepares its budget according to state statutes. The most significant budget is the General Fund. The City amended the General Fund budget one time during the year to meet the needs of the departments as issues arose. The budget was increased by \$172,494. This increase was necessary to cover increases in Judicial, Administration, Police, Public Works, Non-Departmental, and Parks/Recreation for a variety of reasons.

Actual General Fund revenues were \$191,484 or 8.9% above the original budget and \$18,990 or 1.0% above the final budget. Actual expenditures were \$400,235 or 17.5% below the original budget and \$427,435 or 18.4% below the final budget. The City was not required to draw upon existing fund balance in the General Fund this year to cover its expenditures.

Capital Projects Fund

During the fiscal year, the fund balance in the Capital Projects Fund increased \$163,744. The General Fund made a transfer of \$154,313 to the Capital Projects Fund during the year. The Capital Projects Fund did not have any expenditures during this fiscal year.

Enterprise Funds

The combined change in net assets of the enterprise funds shows an increase of \$191,321 or 68.0% from the previous year.

OTHER MATTERS

Current and Future Projects

The City has plans to continue to improve the parks for it's residents in the coming fiscal year along with upgrading some of the equipment in the Public Works department.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of Harrisville City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information in this report or any other matters related to the City's finances should be addressed to:

Lynn Fortie
Treasurer
363 W. Independence Blvd.
Harrisville, UT 84404

CITY OF HARRISVILLE

Statement of Net Assets

June 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 1,838,701	964,983	2,803,684
Accounts receivable	172,927	22,660	195,587
Prepays	16,745	-	16,745
Capital assets:			
Land and related non-depreciable assets	565,800	-	565,800
Depreciable infrastructure	150,000	-	150,000
Buildings, equipment, and other depreciable assets	1,934,532	1,233,055	3,167,587
Less accumulated depreciation	(490,541)	(316,883)	(807,424)
Total capital assets	<u>2,159,791</u>	<u>916,172</u>	<u>3,075,963</u>
Total assets	<u>4,188,164</u>	<u>1,903,815</u>	<u>6,091,979</u>
Liabilities:			
Bonds payable	-	28,000	28,000
Compensated absences	21,667	-	21,667
Total liabilities	<u>21,667</u>	<u>28,000</u>	<u>49,667</u>
Net assets:			
Invested in capital assets, net of related debt	2,159,791	888,172	3,047,963
Restricted for:			
Storm water	-	458,671	458,671
Class C roads	399,967	-	399,967
Park development	562,737	-	562,737
Fire impact	93,861	-	93,861
Capital projects	379,686	-	379,686
Unrestricted	<u>570,455</u>	<u>528,972</u>	<u>1,099,427</u>
Total net assets	<u>\$ 4,166,497</u>	<u>1,875,815</u>	<u>6,042,312</u>

See independent auditors' report and notes to financial statements.

CITY OF HARRISVILLE

Statement of Activities

Year Ended June 30, 2006

<u>Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental:				
General government	\$ 487,482	270,027	-	-
Public safety	816,499	131,789	10,398	-
Public works	608,862	-	151,147	-
Parks and recreation	(2,014)	138,460	-	-
Total governmental activities	<u>1,910,829</u>	<u>540,276</u>	<u>161,545</u>	<u>-</u>
Business-type:				
Public utilities	<u>349,673</u>	<u>494,895</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>349,673</u>	<u>494,895</u>	<u>-</u>	<u>-</u>
Total primary government	<u>2,260,502</u>	<u>1,035,171</u>	<u>161,545</u>	<u>-</u>

General revenues:

Property tax

Sales tax

Franchise tax

Total taxes

Other general revenues:

Miscellaneous

Transfers - internal activities

Total other general revenues

Total general revenues, special items and transfers

Change in net assets

Net assets - beginning of year

Net assets - end of year

See independent auditors' report and notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government		
Governmental Activities	Business-type Activities	Total
(217,455)	-	(217,455)
(674,312)	-	(674,312)
(457,715)	-	(457,715)
140,474	-	140,474
<u>(1,209,008)</u>	<u>-</u>	<u>(1,209,008)</u>
-	145,222	145,222
-	145,222	145,222
<u>(1,209,008)</u>	<u>145,222</u>	<u>(1,063,786)</u>
317,755	-	317,755
1,049,566	-	1,049,566
289,053	-	289,053
<u>1,656,374</u>	<u>-</u>	<u>1,656,374</u>
88,859	39,217	128,076
-	-	-
<u>88,859</u>	<u>39,217</u>	<u>128,076</u>
<u>1,745,233</u>	<u>39,217</u>	<u>1,784,450</u>
536,225	184,439	720,664
<u>3,630,272</u>	<u>1,691,376</u>	<u>5,321,648</u>
<u>\$ 4,166,497</u>	<u>1,875,815</u>	<u>6,042,312</u>

CITY OF HARRISVILLE

Balance Sheet
Governmental Funds

June 30, 2006

<u>Assets</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Cash (note 2)	\$ 1,281,893	379,686	1,661,579
Accounts receivable (note 3)	172,927	-	172,927
Prepaid items	<u>16,745</u>	<u>-</u>	<u>16,745</u>
	<u>\$ 1,471,565</u>	<u>379,686</u>	<u>1,851,251</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ -	-	-
Deposits	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Fund balance reserved for: (note 1)			
Class C roads	399,967	-	399,967
Park development	562,737	-	562,737
Fire impact	93,861	-	93,861
Fund balance unreserved	<u>415,000</u>	<u>379,686</u>	<u>794,686</u>
Total fund balances	<u>1,471,565</u>	<u>379,686</u>	<u>1,851,251</u>
	<u>\$ 1,471,565</u>	<u>379,686</u>	<u>1,851,251</u>

See independent auditors' report and notes to financial statements.

CITY OF HARRISVILLE

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets

June 30, 2006

Total fund balance - governmental funds		\$ 1,851,251
Amount reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not reported as assets in governmental funds.		
These assets consist of:		
Land and related non-depreciable assets	\$ 565,800	
Depreciable infrastructure	150,000	
Buildings, equipment, and other depreciable assets	1,521,705	
Accumulated depreciation	<u>(373,327)</u>	
Total capital assets		1,864,178
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of those internal service funds that primarily benefit governmental entities are included with governmental activities in the statement of net assets.		472,735
Some general liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Those liabilities consist of:		
Compensated absences	<u>(21,667)</u>	
Total long-term debt		<u>(21,667)</u>
Total net assets - governmental activities		\$ <u>4,166,497</u>

See independent auditors' report and notes to financial statements.

CITY OF HARRISVILLE

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2006

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Taxes	\$ 1,656,374	-	1,656,374
Licenses and permits	267,410	-	267,410
Intergovernmental	161,545	-	161,545
Charges for services	20,860	-	20,860
Fines and forfeitures	164,911	-	164,911
Other revenues	<u>76,534</u>	<u>9,431</u>	<u>85,965</u>
Total revenues	<u>2,347,634</u>	<u>9,431</u>	<u>2,357,065</u>
Expenditures:			
Current:			
General government	425,755	-	425,755
Public safety	833,443	-	833,443
Public works	584,152	-	584,152
Parks and recreation	47,859	-	47,859
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,891,209</u>	<u>-</u>	<u>1,891,209</u>
Excess (deficiency) of revenues over expenditures	<u>456,425</u>	<u>9,431</u>	<u>465,856</u>
Other financing sources (uses):			
Operating transfers in	-	154,313	154,313
Operating transfers out	<u>(299,607)</u>	<u>-</u>	<u>(299,607)</u>
Total other financing sources (uses)	<u>(299,607)</u>	<u>154,313</u>	<u>(145,294)</u>
Net changes in fund balances	156,818	163,744	320,562
Fund balances - beginning of year	<u>1,314,747</u>	<u>215,942</u>	<u>1,530,689</u>
Fund balances - end of year	<u>\$ 1,471,565</u>	<u>379,686</u>	<u>1,851,251</u>

See independent auditors' report and notes to financial statements.

CITY OF HARRISVILLE

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds to the Statement of Activities

Year Ended June 30, 2006

Net change in fund balance - total governmental funds	\$ 320,562
Amount reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlays as expenditures (\$94,406). However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$64,000). Capital outlays exceeded depreciation for the period.	30,406
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	191,321
Government funds report changes in general long-term liabilities in the fund statements but these transactions are excluded from the entity-wide statement of activities	<u>(6,064)</u>
Changes in net assets of governmental activities	\$ <u>536,225</u>

See independent auditors' report and notes to financial statements.

CITY OF HARRISVILLE

Statement of Net Assets
Proprietary Funds

June 30, 2006

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>Sewer Fund</u>	<u>Storm Water Fund</u>	<u>Garbage Fund</u>	<u>Total Enterprise Funds</u>	
Assets:					
Cash	\$ 332,629	612,154	20,200	964,983	177,122
Accounts receivable	7,610	8,366	6,684	22,660	-
Improvements	965,418	267,637	-	1,233,055	-
Automotive equipment	-	-	-	-	412,827
Accumulated depreciation	(304,677)	(12,206)	-	(316,883)	(117,214)
Total assets	<u>1,000,980</u>	<u>875,951</u>	<u>26,884</u>	<u>1,903,815</u>	<u>472,735</u>
Liabilities:					
Bonds payable	<u>28,000</u>	-	-	<u>28,000</u>	-
Total liabilities	<u>28,000</u>	-	-	<u>28,000</u>	-
Net assets:					
Invested in capital assets, net of related debt	632,741	255,431	-	888,172	295,613
Restricted	-	458,671	-	458,671	-
Unrestricted	<u>340,239</u>	<u>161,849</u>	<u>26,884</u>	<u>528,972</u>	<u>177,122</u>
Total net assets	<u>\$ 972,980</u>	<u>875,951</u>	<u>26,884</u>	<u>1,875,815</u>	<u>472,735</u>

See independent auditors' report and notes to financial statements.

CITY OF HARRISVILLE

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds

Year Ended June 30, 2006

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>Sewer Fund</u>	<u>Storm Water Fund</u>	<u>Garbage Fund</u>	<u>Total Enterprise Funds</u>	
Operating revenues:					
Charges for services	\$ 125,033	78,931	201,711	405,675	81,624
Impact fees	17,158	67,963	-	85,121	-
Miscellaneous	4,099	-	-	4,099	5,471
Total operating revenues	<u>146,290</u>	<u>146,894</u>	<u>201,711</u>	<u>494,895</u>	<u>87,095</u>
Operating expenses:					
Personnel services	-	3,210	-	3,210	-
Contractual services	77,893	4,235	205,437	287,565	-
Materials and supplies	24,006	11,003	-	35,009	-
Depreciation	18,439	4,033	-	22,472	43,962
Total operating expenses	<u>120,338</u>	<u>22,481</u>	<u>205,437</u>	<u>348,256</u>	<u>43,962</u>
Operating income (loss)	<u>25,952</u>	<u>124,413</u>	<u>(3,726)</u>	<u>146,639</u>	<u>43,133</u>
Non-operating revenues (expenses):					
Interest revenue	13,480	24,144	1,593	39,217	3,894
Interest expense	(1,417)	-	-	(1,417)	(1,000)
Total non-operating revenues (expenses)	<u>12,063</u>	<u>24,144</u>	<u>1,593</u>	<u>37,800</u>	<u>2,894</u>
Income (loss) before contributions and transfers	<u>38,015</u>	<u>148,557</u>	<u>(2,133)</u>	<u>184,439</u>	<u>46,027</u>
Operating transfers in	-	-	-	-	145,294
Contributed capital - developers	-	-	-	-	-
Total contributions and transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>145,294</u>
Change in net assets	<u>38,015</u>	<u>148,557</u>	<u>(2,133)</u>	<u>184,439</u>	<u>191,321</u>
Net assets - beginning of year	<u>934,965</u>	<u>727,394</u>	<u>29,017</u>	<u>1,691,376</u>	<u>281,414</u>
Net assets - end of year	<u>\$ 972,980</u>	<u>875,951</u>	<u>26,884</u>	<u>1,875,815</u>	<u>472,735</u>

See independent auditors' report and notes to financial statements.

CITY OF HARRISVILLE

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2006

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>Sewer Fund</u>	<u>Storm Water Fund</u>	<u>Garbage Fund</u>	<u>Total Enterprise Funds</u>	
Cash flows from operating activities:					
Cash received from customers	\$ 146,115	146,249	204,153	496,517	81,624
Cash received from other activities	-	-	-	-	5,471
Cash payments for payroll and benefits	-	(3,210)	-	(3,210)	-
Cash payments for goods and services	<u>(125,599)</u>	<u>(15,238)</u>	<u>(205,437)</u>	<u>(346,274)</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>20,516</u>	<u>127,801</u>	<u>(1,284)</u>	<u>147,033</u>	<u>87,095</u>
Cash flows from investing activities:					
Interest earned on cash deposits	<u>13,480</u>	<u>24,144</u>	<u>1,593</u>	<u>39,217</u>	<u>3,894</u>
Net cash provided by investing activities	<u>13,480</u>	<u>24,144</u>	<u>1,593</u>	<u>39,217</u>	<u>3,894</u>
Cash flows from noncapital financing activities:					
Operating transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>145,294</u>
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>145,294</u>
Cash flows from capital and related financing activities:					
Contributions from developers	-	-	-	-	-
Acquisition of capital assets	-	(65,970)	-	(65,970)	(173,409)
Interest paid	(1,417)	-	-	(1,417)	(1,000)
Payment on debt	<u>(7,000)</u>	<u>-</u>	<u>-</u>	<u>(7,000)</u>	<u>(13,332)</u>
Net cash used for capital and related financing activities	<u>(8,417)</u>	<u>(65,970)</u>	<u>-</u>	<u>(74,387)</u>	<u>(187,741)</u>
Net increase in cash and cash equivalents	25,579	85,975	309	111,863	48,542
Cash and cash equivalents - beginning of year	<u>307,050</u>	<u>526,179</u>	<u>19,891</u>	<u>853,120</u>	<u>128,580</u>
Cash and cash equivalents - end of year	<u>\$ 332,629</u>	<u>612,154</u>	<u>20,200</u>	<u>964,983</u>	<u>177,122</u>

See independent auditors' report and notes to financial statements.

CITY OF HARRISVILLE

Statement of Cash Flows - Continued
Proprietary Funds

Year Ended June 30, 2006

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>Sewer Fund</u>	<u>Storm Water Fund</u>	<u>Garbage Fund</u>	<u>Total Enterprise Funds</u>	
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 25,952	124,413	(3,726)	146,639	43,133
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	18,439	4,033	-	22,472	43,962
(Increase) decrease in accounts receivable	(175)	(645)	2,442	1,622	-
Decrease in impact fee payable	<u>(23,700)</u>	<u>-</u>	<u>-</u>	<u>(23,700)</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ 20,516</u>	<u>127,801</u>	<u>(1,284)</u>	<u>147,033</u>	<u>87,095</u>

See independent auditors' report and notes to financial statements.

CITY OF HARRISVILLE

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

The City of Harrisville was incorporated April 19, 1962 as a township and became a city on January 30, 1964. The City operates under a traditional council/mayor form of government and provides the following services as authorized by its charter: public safety, public utilities, highways and streets, sanitation, social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The financial statements of the City of Harrisville have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City of Harrisville (the primary government). The City has no component units.

B. Government-Wide and Fund Financial Statements

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole, while the fund statements focus on individual funds.

Government-Wide Financial Statements

The government-wide statements present information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The effects of interfund activity have been eliminated from the government-wide statements except for the residual amounts due between governmental and business-type activities.

The Statement of Net Assets presents the City's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and statutory mandate. The various funds are grouped, in the financial statements in this report, into fund types and categories as follows:

Governmental Fund Types:

The City reports the following major governmental funds:

General fund - The general fund is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in other funds. It also includes the financial activities related to most federal and state funds.

Capital projects fund - These funds are used to account for financial resources to be used for the acquisition or construction of general major capital facilities.

CITY OF HARRISVILLE

Notes to Financial Statements - Continued

June 30, 2006

(1) Summary of Significant Accounting Policies - Continued

Proprietary Fund Types:

Enterprise funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City operates its sewer, storm drainage and garbage funds as enterprise funds. Each is considered a major proprietary fund.

Internal service fund - The internal service fund is used to account for the financing of goods and services provided by the motor pool to other departments or agencies of the City, or to other governments, on a cost-reimbursements basis.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases and decreases in net total assets.

All governmental funds are accounted for using the modified accrual basis of accounting. That is, revenues are recognized when they become measurable and available as net current assets. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued in the individual funds because the current portion of these items cannot be reasonably estimated and (2) principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. The City applies only the applicable FASB pronouncements issued on or before November 30, 1989.

D. Budgets

Annual budgets are prepared and adopted in accordance with the "Uniform Fiscal Procedures Act of Utah Cities" by the City of Harrisville Municipal Council on or before June 22nd for the following fiscal year which begins on July 1. Budgets may be increased by resolution of the City Council at any time during the year, following a public hearing. Budgets are prepared in line-item detail; however, budget amendments by resolution are generally required only if the fund desires to exceed its total budget appropriation. The City follows Uniform Fiscal Procedures for Cities as adopted by the State Legislature for policies concerning its budgetary accounting. Annual budgets are adopted for all governmental fund types. All annual appropriations lapse at fiscal year end.

During the year, one supplemental amendment was made to the City's general fund budget in the amount of \$172,494.

CITY OF HARRISVILLE

Notes to Financial Statements - Continued

June 30, 2006

(1) Summary of Significant Accounting Policies - Continued

E. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	40 years
Sewer collection system	50 years
Equipment and machinery	5-15 years
Other improvements	10-30 years

F. Reservations of Fund Balance/Retained Earnings

The City is required to reserve part of the fund balance of the general fund to account for the unexpended portions of certain types of revenue. The reserved fund balances are for class "C" road revenue, park development and fire impact fees.

G. Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund types consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(2) Deposits and Investments

Deposits and investments for the City of Harrisville are governed by the Utah Money Management Act and by rules of the Utah Money Management Council. Following are discussions of the City's exposure to various risks related to its cash management activities.

A. Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of City funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the commissioner of Financial Institutions as meeting the requirement of the Act and adhering to the rules of the Utah Money Management Council.

The City's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The City's deposits at June 30, 2006 were \$150,496, of which \$50,496 were uninsured and uncollateralized.

CITY OF HARRISVILLE

Notes to Financial Statements - Continued

June 30, 2006

(2) Deposits and Investments - Continued

B. Credit Risk

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

The City is also authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized costs basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. Following are the City's investments at June 30, 2006:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF Investments	\$ <u>2,763,044</u>	55 days*	not rated

*Weighted-average maturity

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing solely in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City's investments are noted in the previous table.

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy to limit this risk is to adhere to the rules of the Money Management Council and to invest most of its available funds in the PTIF. The Council rules do not limit the amount of investments a government may make in any one issuer except for Rule 2 regarding certain endowments and funds with a long-term perspective, and Rule 17 which limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the government's portfolio at the time of purchase.

(3) Accounts Receivable

The City considers its accounts receivable to be substantially collectable and has therefor not recorded an allowance for doubtful accounts.

CITY OF HARRISVILLE

Notes to Financial Statements - Continued

June 30, 2006

(4) Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land and land improvements	\$ 556,250	9,550	-	565,800
Total	<u>556,250</u>	<u>9,550</u>	<u>-</u>	<u>565,800</u>
Capital assets being depreciated:				
Buildings	612,434	-	-	612,434
Other improvements	418,007	58,198	-	476,205
Equipment	427,638	26,658	(21,330)	433,066
Infrastructure	150,000	-	-	150,000
Total	<u>1,608,079</u>	<u>84,856</u>	<u>(21,330)</u>	<u>1,671,705</u>
Less accumulated depreciation for:				
Buildings and improvements	(74,120)	(16,038)	-	(90,158)
Other improvements	(24,596)	(6,459)	-	(31,055)
Equipment	(231,841)	(41,503)	21,230	(252,114)
Total	<u>(330,557)</u>	<u>(64,000)</u>	<u>21,230</u>	<u>(373,327)</u>
Capital assets being depreciated, net	<u>1,277,522</u>	<u>20,856</u>	<u>-</u>	<u>1,298,378</u>
Governmental activity capital assets, net	<u>\$ 1,833,772</u>	<u>30,406</u>	<u>-</u>	<u>1,864,178</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets being depreciated:				
Improvements	\$ 1,167,085	65,970	-	1,233,055
Total	<u>1,167,085</u>	<u>65,970</u>	<u>-</u>	<u>1,233,055</u>
Less accumulated depreciation for:				
Improvements	(294,411)	(22,472)	-	(316,883)
Total	<u>(294,411)</u>	<u>(22,472)</u>	<u>-</u>	<u>(316,883)</u>
Capital assets being depreciated, net	<u>872,674</u>	<u>43,498</u>	<u>-</u>	<u>916,172</u>
Business-type activities capital assets, net	<u>\$ 872,674</u>	<u>43,498</u>	<u>-</u>	<u>916,172</u>

Capital assets in the statement of net assets also includes the equipment and other depreciable assets, net of accumulated depreciation, for the internal service funds of \$295,613.

Depreciation expense of governmental activities was charged to functions as follows:

General Government	\$ 24,494
Public Safety	6,471
Public Works	24,710
Parks and Recreation	8,325
Depreciation on capital assets of the City's internal service funds is charged to the various functions based on their usage of assets	<u>43,962</u>
Total	<u>\$ 107,962</u>

CITY OF HARRISVILLE

Notes to Financial Statements - Continued

June 30, 2006

(5) Long-Term Debt

Long-term debt consists of the following:

General Obligation Bonds:

Long-term debt in the City's sewer fund as of June 30, 2006 is comprised of the following:

	Interest Rate	Outstanding 6-30-05	Additions	Payments	Outstanding 6-30-06
Sewer Utility Fund:					
1969 \$150,000 sewer bond	4.5%	\$ 35,000	-	7,000	28,000

Annual requirements to amortize long-term debt as of June 30, 2006:

Sewer Utility Fund	Year Ending June 30,	Principal	Interest	Total
	2007	\$ 7,000	1,260	8,260
	2008	7,000	945	7,945
	2009	7,000	630	7,630
	2010	7,000	315	7,315
		\$ 28,000	3,150	31,150

(6) Compensated Absences, Accumulated Unpaid Vacation, Personal Leave Pay, Compensatory Time

It is the government's policy to permit employees to accumulate earned but unused vacation and personal leave pay benefits. Vacation and compensatory leave are recorded as an expenditure when used in governmental funds and as an expense when earned in proprietary funds and in the governmental-wide statements. A liability for unused vacation and compensatory leave is recorded in the governmental-wide statement of net assets.

(7) Retirement Plans

Plan Description

The City of Harrisville (City) contributes to the Local Governmental Contributory, Non-contributory and Public Safety Non-contributory, all cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The System is established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Non-contributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah, 84102 or by calling 1-800-365-8772.

Funding Policy

In the Non-contributory Retirement System the City is required to contribute 11.09% of its annual covered salary. In fiscal year 2006, the City contributed 19.34% to the Public Safety Non-contributory System based on covered wages. The contribution rate is actuarially determined. The contribution requirements of the System is authorized by statute and specified by the Board.

CITY OF HARRISVILLE

Notes to Financial Statements - Continued

June 30, 2006

(7) Retirement Plans - Continued

The City's contributions to the various systems for June 30, 2006, 2005 and 2004 were as follows:

A. Local Governmental System - Contributory

	<u>2006</u>	<u>2005</u>	<u>2004</u>	
\$	1,620	2,067	2,189	Employer paid for employee contributions.
	1,911	2,439	2,047	Employer contributions.
	27,003	34,449	36,493	Salary subject to contributions.

B. Local Governmental System - Non-contributory

	<u>2006</u>	<u>2005</u>	<u>2004</u>	
\$	32,287	23,148	22,179	Employer contributions.
	291,138	208,730	230,556	Salary subject to retirement contributions.

C. Utah Public Retirement System - Public Safety

	<u>2006</u>	<u>2005</u>	<u>2004</u>	
\$	40,217	30,620	36,368	Employer paid contributions.
	207,945	160,691	223,940	Salary subject to retirement contributions.

D. 401(K) Plan

	<u>2006</u>	<u>2005</u>	<u>2004</u>	
\$	30,723	32,905	27,730	Employer paid for employee contributions.

(8) Inter-fund Transfers

Transfer from general fund	\$ (299,607)
Transfer to capital projects	154,313
Transfer to internal service fund	145,294

(9) Budgetary Accounting and Tax Calendar

The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. Budgets are required by the State of Utah for the general, special revenue, debt service and capital improvement funds. The legal level of control required by the State of Utah is at the department level. The City's budget is a financial plan of all estimated revenues and all appropriations for expenditures. Revenues and expenditures must balance.

The budget is prepared sometime between the 1st of March and the 1st of May. A tentative budget is presented by the City Administrator to the City Council by the first regularly scheduled council meeting in May. The tentative budget is reviewed and tentatively adopted by the Council no later than the first meeting in May. The tentative budget is public record and is available for inspection at the City Business Administration Department and the City Recorder's Office for at least ten days prior to adoption of the final budget. Notice of public hearing on adoption of the final budget is published seven days prior to the public hearing. The public hearing on the tentatively adopted budget is held prior to final adoption. Final adjustments are made to the tentative budget by the Council after the public hearing. The final budget is adopted by ordinance before June 22nd and a copy of the budget certified by the Budget Officer is filed with the State Auditor within thirty days of adoption.

In connection with budget adoption an annual tax ordinance establishing the tax rate is adopted before June 22nd and the City is to certify the tax rate to the County Auditor before June 22nd.

Budgets for the general, special revenue, debt service and capital projects funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF HARRISVILLE

Notes to Financial Statements - Continued

June 30, 2006

(9) Budgetary Accounting and Tax Calendar - Continued

The above procedures are authorized by Utah Code Sections 10-6-109 through 10-6-135.

Property Tax Calendar

<u>Duties to be Completed</u>	<u>Authorizing Statute</u>	<u>Statute Date</u>
Lien date	59-2-103 59-2-1302	1/1
Taxing districts with June year end notify county commission of date, time and place of public hearing	59-2-919	3/1
County treasurer to settle taxes charged and collected for previous year	59-2-1365	3/31
Budget officer shall prepare and file with council a tentative budget	10-6-111	1 st scheduled council meeting in May
County assessor delivers roll to county auditor	59-2-924	6/1
Tax commission reports value of Centrally Assessed Property to counties	59-2-802	6/1
County assessor delivers to county auditor statement showing aggregate valuation of all taxable property	59-2-924	6/1
County auditor sends valuation, certified tax rate and levy work sheets to each taxing district	59-2-924	6/1
Taxing district must adopt a proposed tax rate, certify the rate and levy, and submit to county auditor	59-2-912	before 6/22
County to set proposed tax rates	59-2-909	6/22
Taxing districts adopt tentative budgets and notify county of intent to exceed certified tax rate	59-2-924(3)	6/22
County auditor to submit levy worksheets and supporting documentation to tax commission	59-2-913	6/22
Copy of final budget to state auditor within 30 days of adoption	10-6-118	9/17
County treasurer to mail tax notice	59-2-1317	11/1
County auditor delivers assessment roll with affidavit to tax commission	59-2-326	11/1
Payment and delinquency date	59-2-1331	11/30
Delinquency list published	59-2-1332.5	12/31

(10) Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

CITY OF HARRISVILLE

Notes to Financial Statements - Continued

June 30, 2006

(11) Risk Management

The City of Harrisville is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage.

(12) Departments Over Budget

The City had one department that overspent its budget for the year by \$1,761.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF HARRISVILLE

Notes to Required Supplementary Information

June 30, 2006

Budgeting and Budgetary Control

As more fully explained in Note 1 of the Notes to Financial Statements, annual budgets are prepared and adopted before June 22 for the fiscal year commencing the following July 1 in accordance with the Uniform Fiscal Procedures Act for Utah Cities. State law requires budgeted revenues to equal budgeted expenditures, and legal control is exercised at the department level. Once a budget has been adopted, it remains in effect until it has been formally revised. Budgets for the general fund, special revenue, and capital projects funds are legally required and are prepared and adopted on the modified accrual basis of accounting. Therefore, no reconciliation between budgetary schedules and the GAAP statements is required.

The Budgetary Comparison schedules presented in this section of the report are for the City's general fund and major special revenue funds. Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to July 1. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the City Council through formal resolution. Final budgets do not include unexpected balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

CITY OF HARRISVILLE

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund

Year Ended June 30, 2006

<u>Revenues</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Taxes:				
Sales tax	\$ 910,000	1,000,000	1,049,566	49,566
Current year property taxes	260,000	260,000	259,965	(35)
Franchise tax	210,000	270,000	289,053	19,053
Delinquent prior years taxes	5,000	12,494	12,955	461
Fee in lieu	50,000	50,000	44,835	(5,165)
Total taxes	<u>1,435,000</u>	<u>1,592,494</u>	<u>1,656,374</u>	<u>63,880</u>
Licenses and permits:				
Park development fees	140,000	140,000	117,600	(22,400)
Business licenses	15,000	15,000	18,021	3,021
Building permits	100,000	100,000	82,794	(17,206)
Plan check fee	35,000	35,000	24,539	(10,461)
Building plan/development fees	15,000	15,000	10,308	(4,692)
Fire impact fees	20,000	20,000	14,148	(5,852)
Total licenses and permits	<u>325,000</u>	<u>325,000</u>	<u>267,410</u>	<u>(57,590)</u>
Intergovernmental:				
Class "C" roads	150,000	150,000	151,147	1,147
Seat belt grant	6,000	6,000	2,400	(3,600)
State liquor allotment	10,000	10,000	7,998	(2,002)
Other grants	8,150	8,150	-	(8,150)
Total intergovernmental	<u>174,150</u>	<u>174,150</u>	<u>161,545</u>	<u>(12,605)</u>
Charges for services:				
Recreation and user fees	15,000	15,000	11,960	(3,040)
Park/cabin reservations	12,000	12,000	8,900	(3,100)
Total charges for services	<u>27,000</u>	<u>27,000</u>	<u>20,860</u>	<u>(6,140)</u>
Fines and forfeitures	<u>155,000</u>	<u>170,000</u>	<u>164,911</u>	<u>(5,089)</u>
Other revenues:				
Heritage Days celebration	1,000	1,000	3,670	2,670
Interest earned	19,000	19,000	58,031	39,031
Miscellaneous	20,000	20,000	13,633	(6,367)
Sale of assets	-	-	1,200	1,200
Total other revenues	<u>40,000</u>	<u>40,000</u>	<u>76,534</u>	<u>36,534</u>
Total revenues	<u>2,156,150</u>	<u>2,328,644</u>	<u>2,347,634</u>	<u>18,990</u>
<u>Expenditures</u>				
<u>General government</u>				
Legislative:				
Salaries and benefits	16,171	16,171	16,067	104
Materials, supplies and services	6,925	6,925	6,357	568
	<u>23,096</u>	<u>23,096</u>	<u>22,424</u>	<u>672</u>
Judicial:				
Salaries and benefits	39,796	40,796	41,489	(693)
Materials, supplies and services	10,900	13,100	11,948	1,152
	<u>50,696</u>	<u>53,896</u>	<u>53,437</u>	<u>459</u>

CITY OF HARRISVILLE

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Continued
General Fund

Year Ended June 30, 2006

<u>Expenditures - Continued</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>General government- continued</u>				
City Administration:				
Salaries and benefits	\$ 115,365	115,365	113,210	2,155
Materials, supplies and services	25,000	30,500	27,593	2,907
	<u>140,365</u>	<u>145,865</u>	<u>140,803</u>	<u>5,062</u>
Non-departmental:				
Materials, supplies and services	<u>528,040</u>	<u>528,040</u>	<u>209,091</u>	<u>318,949</u>
Total general government	<u>742,197</u>	<u>750,897</u>	<u>425,755</u>	<u>325,142</u>
<u>Public safety</u>				
Police service:				
Salaries and benefits	462,070	462,070	485,099	(23,029)
Materials, supplies and service	160,208	166,208	144,940	21,268
	<u>622,278</u>	<u>628,278</u>	<u>630,039</u>	<u>(1,761)</u>
Fire department:				
Materials, supplies and services	<u>180,000</u>	<u>180,000</u>	<u>164,122</u>	<u>15,878</u>
	<u>180,000</u>	<u>180,000</u>	<u>164,122</u>	<u>15,878</u>
Building inspections:				
Salaries and benefits	20,661	20,661	21,413	(752)
Materials, supplies and services	44,740	44,740	17,869	26,871
	<u>65,401</u>	<u>65,401</u>	<u>39,282</u>	<u>26,119</u>
Total public safety	<u>867,679</u>	<u>873,679</u>	<u>833,443</u>	<u>40,236</u>
<u>Public works</u>				
Public works/maintenance:				
Salaries and benefits	313,356	313,356	309,075	4,281
Materials, supplies and services	326,150	332,150	275,077	57,073
	<u>639,506</u>	<u>645,506</u>	<u>584,152</u>	<u>61,354</u>
Total public works	<u>639,506</u>	<u>645,506</u>	<u>584,152</u>	<u>61,354</u>
<u>Parks and recreation</u>				
Parks and recreation:				
Salaries and benefits	11,562	11,562	9,347	2,215
Materials, supplies and services	30,500	37,000	38,512	(1,512)
	<u>42,062</u>	<u>48,562</u>	<u>47,859</u>	<u>703</u>
Total parks and recreation	<u>42,062</u>	<u>48,562</u>	<u>47,859</u>	<u>703</u>
Total expenditures	<u>2,291,444</u>	<u>2,318,644</u>	<u>1,891,209</u>	<u>427,435</u>
Excess (deficiency) of revenues over expenditures	<u>(135,294)</u>	<u>10,000</u>	<u>456,425</u>	<u>446,425</u>
Other financing sources (uses):				
Operating transfers (out)	(174,706)	(320,000)	(299,607)	20,393
Use of fund balance	310,000	310,000	-	(310,000)
Total other financing sources (uses)	<u>135,294</u>	<u>(10,000)</u>	<u>(299,607)</u>	<u>(289,607)</u>

CITY OF HARRISVILLE

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Continued
General Fund

Year Ended June 30, 2006

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	\$ -	-	156,818	156,818
Fund balance - beginning of year	<u>1,314,747</u>	<u>1,314,747</u>	<u>1,314,747</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,314,747</u>	<u>1,314,747</u>	<u>1,471,565</u>	<u>156,818</u>

SUPPLEMENTAL INFORMATION

Harrisville City
Park Impact Fee
Fees Received

Area	FY2002	FY2003	FY2004	FY2005	FY2006
Baird	1,680				
BM	11,760				
Cinnamon				13,440	
Colonial Springs	25,200				
Colony		3,360	1,680		
Cottages	13,440	28,560	42,000	53,760	43,680
Crowther			1,680		
GolfCrest	6,720	6,720	20,160	26,880	20,160
GolfView	13,440	5,040		20,160	36,960
Harrisville Hollow	33,600	16,800	5,040		
Hidden Meadow		33,600	15,120	1,680	
Jennings				1,680	
Majestic View	21,840	60,400	20,160		1,680
New Town Square		33,600	6,720	47,040	13,440
Owens			1,680	1,680	
Paradise	3,360				
Unclear	15,120	11,760		-170	
Willowcreek					1,680
	146,160	199,840	114,240	166,150	117,600

The capital projects are outlined in the Capital Facilities Plan and will be budgeted and completed when sufficient funds are accumulated and the capital projects are needed.

**Parks Impact Fees
Harrisville City**

Collected	
1999	
Beg. Bal.	70,095.00
Impact Fees Collected	53,760.00
2000	
Impact Fees Collected	86,040.00
Interest	5,970.87
2001	
Impact Fees Collected	137,000.00
Interest	13,930.20
2002	
Impact Fees Collected	146,160.00
Interest	6,560.89
2003	
Impact Fees Collected	199,840.00
Interest	7,609.75
2004	
Impact Fees Collected	114,240.00
Interest	7,694.91
2005	
Impact Fees Collected	166,150.00
Interest	11,680.16
2006	
Impact Fees Collected	117,600.00
Interest	22,941.90

Expended							
1999	2000	2001	2002	2003	2004	2005	2006
-54,552.00	-7,611.22	-7,932.00					
		-28,904.00	-24,856.00				
			-70,371.14	-15,668.86			
				-5,970.87			
				-38,510.83	-52,778.79	-45,710.38	
						-13,930.20	
						-146,160.00	
						-6,560.89	
						-26,821.71	-58,197.65

Totals 1,167,273.68 -54,552.00 -7,611.22 -36,836.00 -95,227.14 -60,150.56 -52,778.79 -239,183.18 -58,197.65

Balance 562,737.14

Harrisville City
Fire Impact Fee
Fees Received

Area	FY2002	FY2003	FY2004	FY2005	FY2006
Baird	101.41				
BM	709.87				
Cinnamon				1,573.92	
Colonial Springs	1,427.10				
Colony		261.64	160.23		
Cottages	811.28	2,076.89	3,946.93	6,295.68	5,115.24
Crowther			160.23		
GolfCrest	371.44	371.44	1,814.60	2,920.64	2,190.48
GolfView	742.88	278.58		1,760.52	3,285.72
Harrisville Hollow	2,028.20	1,072.92	421.87		
Hidden Meadow		2,557.58	1,442.07	160.23	
Jennings					
Majestic View	1,318.33	4,121.32	1,922.76		196.74
New Town Square		2,503.40	586.84	4,681.16	1,460.32
Owens			160.23	160.23	
Paradise	202.82				
Unclear/Other	912.69	12,030.59		5,868.56	1,702.60
Willowcreek					196.74
	8,626.02	25,274.36	10,615.76	23,420.94	14,147.84

The capital projects are outlined in the Capital Facilities Plan and will be budgeted and completed when sufficient funds are accumulated and the capital projects are needed.

Harrisville City
Sewer Impact Fee
Fees Received

Area	FY2002	FY2003	FY2004	FY2005	FY2006
Baird	262.12				
BM	1,834.84				
Cinnamon				1,934.84	
Colonial Springs	1,048.48				
Colony		524.24	262.12		
Cottages	2,096.96	4,456.04	6,653.00	8,387.84	6,815.12
Crowther			262.12		
GolfCrest	733.92		1,467.84	2,335.68	2,201.76
GolfView	1,367.84	550.45		2,202.08	4,186.56
Harrisville Hollow	5,242.40	2,621.20	786.36		
Hidden Meadow		5,242.40	2,359.08	262.12	
Jennings				262.12	
Majestic View	4,201.36	9,436.32	3,145.44		262.12
New Town Square	2,018.30	3,069.70	733.94	4,837.48	1,467.84
Owens			262.12	262.12	
Paradise	524.24				
Unclear/Other	1,421.20	2,604.65	214.20	1,310.60	1,962.12
Willowcreek					262.12
	20,751.66	28,505.00	16,146.22	21,794.88	17,157.64

The capital projects are outlined in the Capital Facilities Plan and will be budgeted and completed when sufficient funds are accumulated and the capital projects are needed.

**Sewer Impact Fees
Harrisville City**

Collected	
1999	
Beg. Bal.	6,028.74
Impact Fees Collected	6,930.00
2000	
Impact Fees Collected	5,500.00
Interest	
2001	
Impact Fees Collected	16,420.52
Interest	725.72
2002	
Impact Fees Collected	20,751.66
Interest	1,565.50
2003	
Impact Fees Collected	28,505.00
Interest	-35.77
Other	
2004	
Impact Fees Collected	16,146.22
Interest	119.12
Other	
2005	
Impact Fees Collected	21,794.88
Interest	0.00
Other	
2006	
Impact Fees Collected	17,157.64
Interest	0.00
Other	

Expended							
1999	2000	2001	2002	2003	2004	2005	2006
			-6,523.74				
			-6,930.00				
	-4,666.90		-833.10				
			-16,420.52				
			-725.72				
			-7,609.18	-13,142.48			
				-1,565.50			
				-28,505.00			
				35.77			
				-61,355.44			
				-16,146.22			
				-119.12			
					-2,000.00		

141,609.23

Totals

0.00 -4,666.90 0.00 -39,042.26 -120,797.99 -2,000.00 0.00 0.00

Balance

-24,897.92

Harrisville City
Storm Water Impact Fee
Fees Received

Area	FY2002	FY2003	FY2004	FY2005	FY2006
Baird	1,971.20				
BM	6,370.65				
Cinnamon				6,365.10	
Colonial Springs	3,815.00				
Colony		2,011.90			
Cottages	7,618.80	16,362.70	25,476.25	32,202.31	24,957.80
Crowther			1,002.75		
GolfCrest	3,220.00	3,220.00	5,348.00	8,288.00	6,216.00
GolfView	3,130.40	1,078.70		4,692.80	9,208.60
Harrisville Hollow	14,054.25	7,233.20	2,252.95		
Hidden Meadow		13,473.60	6,208.60	987.00	
Jennings				992.45	
Majestic View	9,359.20	28,703.52	9,779.11		877.10
New Town Square	6,729.80	8,029.00	1,605.80	10,411.20	3,422.85
Owens			861.50	620.90	
Paradise	1,219.40				
Unclear/Other	110,121.20	23,912.85	-656.16	70,029.91	22,654.33
Willowcreek					626.15
	167,609.90	104,025.47	51,878.80	134,589.67	67,962.83

The capital projects are outlined in the Capital Facilities Plan and will be budgeted and completed when sufficient funds are accumulated and the capital projects are needed.

**Storm Water Impact Fees
Harrisville City**

Collected	
1999	
Beg. Bal.	52,342.96
Impact Fees Collected	52,884.86
2000	
Impact Fees Collected	313,718.67
Interest	13,922.52
2001	
Impact Fees Collected	72,385.10
Interest	9,564.87
2002	
Impact Fees Collected	167,609.90
Interest	7,157.57
2003	
Impact Fees Collected	103,235.77
Interest	8,001.76
2004	
Impact Fees Collected	51,878.80
Interest	6,819.02
2005	
Impact Fees Collected	134,589.67
Interest	11,400.14
2006	
Impact Fees Collected	67,962.83
Interest	18,987.11

Expended							
1999	2000	2001	2002	2003	2004	2005	2006
-16,927.00	-35,415.96						
	-22,107.58	-30,777.28					
		-225,919.43	-3,565.00	-22,676.01	-61,918.03	-359.80	
						-13,922.52	
						-72,385.10	
						-9,564.87	
						-52,281.68	-65,970.50

Totals	-16,927.00	-57,523.54	-256,696.71	-3,565.00	-22,676.01	-61,918.03	-148,513.97	-65,970.50
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Balance 458,670.79

Report on Compliance and on Internal Control over Financial
Reporting Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

Honorable Mayor and City Council
City of Harrisville, Utah

We have audited the financial statements of the City of Harrisville as of and for the year ended June 30, 2006, and have issued our report thereon dated September 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Harrisville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Harrisville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Mayor, City Council and State agencies. However, this report is a matter of public record and its distribution is not limited.

Crane, Christensen & Ambrose P.C.

September 21, 2006

Independent Auditors' Legal Compliance Report

Honorable Mayor and City Council
City of Harrisville, Utah

We have audited the general purpose financial statements of the City of Harrisville for the year ended June 30, 2006 and have issued our report thereon dated September 21, 2006.

The City received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the City of Harrisville's financial statements.)

Seat Belt Grant (Department of Public Safety)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt	Liquor Law Enforcement
Cash Management	Justice Court
Purchasing Requirements	B & C Road Funds
Budgetary Compliance	Other General Issues
Truth in Taxation and Property	Department of Commerce
Tax limitations	Impact Fees and Other Development Fees

The management of the City of Harrisville is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards issued by the Comptroller General of the United States. Those requirements require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed instances of noncompliance with the requirements referred to above, which are outlined in the accompanying Schedule of Findings and Questioned Costs.

In our opinion the City of Harrisville complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2006.

Crane, Christensen & Ambrose P.C.

September 21, 2006

CITY OF HARRISVILLE

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2006

PROGRAM: BUDGETARY COMPLIANCE

FINDING: The City had one department whose expenditures exceeded its budget.

QUESTIONED COSTS: None

RECOMMENDATION: We suggest the City monitor its expenditures so that budgetary limitations are not exceeded.

CITY'S REPLY: The difference was the result of year-end accounting adjustments that were not anticipated in time to amend the budget. The City will monitor this area more closely in the future.

PROGRAM: JUSTICE COURTS

FINDING: The City did not remit funds to the State by the 10th of the month on two occasions during the year.

QUESTIONED COSTS: None

RECOMMENDATION: We suggest the City follow Utah Code by remitting all funds due to the State by the 10th of the month following the month in which they were collected.

CITY'S REPLY: The City will comply with this requirement in the future.